



CROP INSURANCE IN MARYLAND

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MARYLAND DEPARTMENT OF AGRICULTURE



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Letter From Secretary Riley

Sticking With Crop Insurance Pays Off

G.P.S. Adds Value To Crop Insurance Policies

Robert L. Ehrlich, Jr.
Governor

Michael S. Steele
Lt. Governor

MANAGING RISKS ON BLUE MOUNTAIN



J.D. Rinehart

J.D. Rinehart is in better shape than most 41-year-old men. Maybe it's the nine months of hard work when he, and his father, operate their apple and peach orchards in Washington County. Maybe it's the three winter months he spends working on the ski patrol at a local resort, something he calls, "stress relief." Or maybe it's because he is constantly challenging himself to find better ways to manage the risks of farming so his own children will have a chance to be the fourth generation to live and work on the slopes of Blue Mountain.

"Farming in Maryland faces two big problems," says Rinehart, who is on the Governor's Young Farmer Advisory Committee. "Sprawl development is eating up farmland at a rapid pace, and low

commodity prices are forcing all of us to have to find ways of adding value to our crops or shift to other crops."

Rinehart knows that those big issues hang over his family's farm and every farm in Maryland. He also knows that he has his own day-to-day risks to deal with.

FROST

With 100 acres of peaches and 200 acres of apples, J.D. and his father John, see springtime frost as their biggest production risk. If the temperature drops below 28 degrees, the trees start losing buds and that means less fruit. "We are at high elevation on Blue Mountain where it is much warmer than down in the valley and we simply don't plant where there

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Maryland Department of Agriculture

Office of the Secretary

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Dear Fellow Farmers:

Each year, those of us in Maryland agriculture have new risks to manage: drought, economic downturns, animal and plant diseases as well as environmental concerns. Year after year, leaders in the farm community step forward to manage these challenges.



Some manage these challenges individually on their farm, while others become active in agricultural organizations and the political arena to find ways to successfully deal with the issues of the day.

Now, Governor Robert L. Ehrlich, Jr. has asked the Maryland Department of Agriculture to convene an agricultural forum to develop policy recommendations that will help farmers remain profitable in today's land development and economic climate.

The forum, spearheaded by the Maryland Agricultural Commission, will be held Feb. 13, 2006 and listening sessions will be held around the state in August to gather comments on four key areas: profitability, land use, alternative enterprises and agricultural biosecurity. I hope that you join with other farmers as we look for key initiatives to ensure the viability of agriculture in Maryland. For more details, contact MDA's Buddy Bowling at (410) 841-5882, or visit our Web site: www.mda.state.md.us.

An immediate challenge for Maryland farmers this summer will be determined by the weather. Our soybean producers are preparing for the potential of Asian soybean rust infecting their fields should the disease travel this way on the winds. Soybean rust, as many of you know, is a serious fungal disease causing yield losses of up to 80 percent in areas of South American and southern Africa. It has been found this spring in Florida and Georgia. Losses due to soybean rust are covered by crop insurance. However, to ensure protection, the USDA-Risk Management Agency recommends that farmers seek and follow the recommendations of ag experts — Extension ag agents and certified crop consultants — to control soybean rust. RMA also advises that insured farmers should document, in writing, the advice received, when received, and actions taken to combat this disease and when they were taken.

To see the state's Soybean Rust Response and Action Plan, visit the MDA Web site, www.mda.state.md.us. The latest updates on soybean rust are posted at www.usda.gov/soybeanrust. RMA's Web site for soybean rust and crop insurance issues is: www.rma.usda.gov.

At MDA, for your crop insurance concerns, call Mark Powell at (410) 841-5770.

Sincerely,

Lewis R. Riley
Secretary

STICKING WITH CROP INSURANCE PAYS OFF IN MARYLAND

Prepared by the Risk Management Agency, this chart shows that Maryland producers have, both in the short term and over the long run, gotten more back from crop insurance than they have paid in premiums...a lot more.

This is in large part due to the federal subsidies (deduct “Farmer Paid Premium” from “Total Premium” to get some idea

of just how substantial those subsidies are. For instance, in 2003 the Farmer Paid Premium was only 23% of the Total Premium.

Over the last four years, 2000-04, Maryland producers have collected \$2.47 per dollar of Farmer Paid Premiums. From 1995-04 that number is \$3.07. Even if you go all the way back to 1981-04 producers collect

\$2.35 per dollar of Farmer Paid Premium.

These results also reflect that Maryland producers have, over the past few years, chosen to buy up to higher levels of coverage. In 2004 over 750,000 acres were insured with over \$194 million worth of protection in force.

Plainly, sticking with the program matters. ■

MD CROP INSURANCE PERFORMANCE 1981-2004								
Year	Total Crop Policies	Protection In Force (\$)	Acres Insured	Total Premium (\$)	Farmer Paid Premium (\$)	Losses Paid To Producers (\$)	Farmer Benefit per \$1 Of Premium	Loss Ratio
2000-04	23,919	698,705,913	3,430,945	52,903,286	16,944,254	41,931,143	2.47	0.79
1995-04	47,470	835,566,475	5,855,903	57,768,456	20,071,935	61,535,611	3.07	1.07
1981-04		1,167,131,285	7,548,060	83,591,689	32,893,217	77,335,535	2.35	0.93

Source: USDA Data as of 5/02/05Est. for Educational Purposes

G.P.S. ADDS VALUE TO CROP INSURANCE POLICIES

Don Spickler is a crop insurance agent who uses earth orbiting satellites to get more accurate actual production histories (APH) by getting the most accurate possible measurement of that part of a farm which is actually in crop production. The result is often greater value from crop insurance policies.

G.P.S. mapping is especially important for orchards like J.D. Rinehart’s (See Managing Risks on Blue Mountain). Spickler is Rinehart’s crop insurance agent.

“Orchards don’t generally report acreage to FSA,” says Spickler who provides crop insurance services to farms from Garrett County to Montgomery County as well as some counties in Pennsylvania and West Virginia.

Often on slopes, it is sometimes difficult

to figure out exactly what kinds of trees are grown on how much land. With G.P.S. mapping, the land devoted to ditches or on-farm roads is eliminated and only land under actual production is counted. The results often mean that the real APH for many crops is revised upwards. And that, in turn, means greater value from crop insurance policies.

“I drive around each field and get readings from at least four different satellites,” says Spickler, who points out that crop insurance companies still need to inspect the orchards and count the trees.

Spickler hopes to map most of his customers’ fields. He is working on corn and soybean fields now.

“The biggest hurdle I have is to help people understand that it doesn’t work



to jump in and out of crop insurance – in after a bad year and out after a good year. You have to be consistent to get the best value.”

G.P.S. mapping helps him make the case for federally subsidized crop insurance. ■

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are frost pockets or cold spots. Where we site our trees is our most important risk management strategy.”

MARKETING

On the marketing front, the Rineharts have to select the peach and apple varieties that allow them to spread their harvest out over the longest possible season and, at the same time, keep them on the cutting edge of popular fruit demand. “We have to keep up with all the new varieties, check with the markets to see how they’re received and then plant new trees so we can stay in front of the demand.” They grow ten varieties of peaches, from Red Havens, which ripen in July, to Encore which is harvested in early September. Fuji, Gala, and Jonagold apples are their newest fresh market varieties, joining Red and Golden Delicious. York and Romes are harvested for processing.

CROP INSURANCE

The Rineharts also carry crop insurance coverage on both apples and peaches. The peaches are covered with a higher level of coverage than apples simply because peaches are more vulnerable to cold weather and therefore more likely to experience a loss.

“We collected in 1994/95 when we lost the entire peach crop. The temperature got to 22 degrees below zero. Anything lower than 10 degrees below just cooks



peach trees. After that, crop insurance has always seemed like a good investment.”

ENVIRONMENTAL STEWARDSHIP

Under construction now on the Rinehart place is a moated, impermeable chemical storage building, another way of controlling risks, this time environmental.

“We depend on bees to pollinate our trees, so we are very careful with chemicals. This way we can be assured that no matter what happens, we won’t have a spill that contaminates the soil or our groundwater.”

QUALITY OF LIFE

After nine months of dawn to dusk work in the orchards, J.D. and his wife Beth work on the ski patrol at Whitetail. They open trails, check for hazards, help people off the mountain and close the trails for more dawn to dusk days.

According to J.D., “It’s a great stress reliever.”

Beth and J.D. also find time to involve their young children in the farming life. Ten-year-old Stefan and six-year-old Katarina help at the fruit stand. Baby Justin will get his chance to share in this chosen life soon.

“We like raising our kids here. We are lucky because this is still a farming community.”

But, when the Governor’s Young Farmer Advisory Committee meets, J.D. will once again be confronted with the challenge, “to come up with ideas for how we can sustain agriculture in Maryland.”

It is a statewide challenge, but as he works on it, J.D. will be wondering how long his family will be able keep on living and working on the slopes of Blue Mountain. ■

